CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 27, 1998

H.R. 3878
A bill to subject certain reserved mineral interests of the operation of the Mineral Leasing Act, and for other purposes

As ordered reported by the House Committee on Resources on August 5, 1998

SUMMARY

H.R. 3878 would allow two parcels of federal subsurface estate in the state of Wyoming to be leased for oil and gas development. CBO estimates that enacting H.R. 3878 would have no significant impact on the federal budget. Because enacting the bill could affect offsetting receipts (which are classified as direct spending), pay-as-you-go procedures would apply; however, we estimate that any effect on direct spending would total less than $500,000 each year over the 1999-2003 period.

H.R. 3878 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

H.R. 3878 would allow the Secretary of the Interior to lease two parcels of federal subsurface estate consisting of about 400 acres in the state of Wyoming for oil and gas development. The lease authority would apply retroactively to one parcel, which was leased erroneously in 1997.

The surface land above the mineral estate is privately owned. The bill provides that lessees to the federal mineral estate could occupy as much of the surface land as necessary to develop the leases. As a condition of that occupancy, lessees would be required to either secure consent from the owner of the surface land, or, in the absence of such consent, provide a financial guarantee to assure reclamation and to pay the surface owner for damages and any loss of income.

The subsurface estate addressed by the bill is currently closed to oil and gas development, but in 1997 the Bureau of Land Management (BLM) erroneously leased one of the parcels. The federal government received a bonus bid for that lease of about $20,000, which was shared with the state of Wyoming. Under current law, the federal government must cancel that lease and return the bonus bid and subsequent rental payments to the lessee. H.R. 3878 would allow the lease to continue, thereby avoiding a reimbursement to the lessee that would otherwise be required under a cancellation. Furthermore, enacting H.R. 3878 would allow the second parcel to be leased and allow oil and gas development to proceed on both parcels. Based on information from BLM, CBO estimates that the bill would reduce direct spending by increasing offsetting receipts from the two parcels, but we estimate that the net change would total less than $500,000 each year over the 1999-2003 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting H.R. 3878 would reduce direct spending by increasing offsetting receipts from oil and gas development, but we estimate that the net effect would total less than $500,000 each year over the 1999-2003 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 3878 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. States receive a portion of receipts from oil and gas development on federal lands within their borders. Enactment of this bill would lead to a small increase in such receipts in the state of Wyoming, so payments to that state would increase.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined in UMRA.

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